

## Message Text

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ORIGIN EB-06

INFO OCT-01 ARA-06 IO-10 ISO-00 AGR-05 CIAE-00 COME-00

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TO AMEMBASSY SAN SALVADOR PRIORITY

INFO USMISSION GENEVA

AMEMBASSY GUATEMALA

AMEMBASSY LIMA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, ES, NU

SUBJECT: TEXTILES--BILATERALS WITH EL SALVADOR ANDNICARAGUA

REF: SAN SALVADOR 4244

GENEVA FOR PHELAN

GUATEMALA ALSO FOR ROCAP

1. FOLLOWING UP AMBASSADOR EBERLE'S TRIP TO LATIN AMERICA  
AND MINISTER JURICH'S VISIT TO MANAGUA LAST JULY, USG IN-  
TERAGENCY WORKING GROUP ON TEXTILES HAS BEEN UNDERTAKING  
EXTENSIVE REVIEW OF ALL US TEXTILE BILATERALS WITH LATIN  
AMERICAN COUNTRIES AS THEY RELATE TO MFA. IN THIS REVIEW,  
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WE HAVE IDENTIFIED THUS FAR TWO BILATERALS (PERU AND

NICARAGUA) WHICH, BECAUSE OF THEIR COUNTRIES' LEVEL OF TRADE WITH US AND THEIR LOW CAPACITY COULD BE TERMINATED AND REPLACED WITH A GENERAL FORMAL AGREEMENT TO CONSULT WITH USG SHOULD TEXTILE EXPORTS FROM THOSE TWO COUNTRIES CAUSE PROBLEMS OF MARKET DISRUPTION IN US. AS REFTEL INDICATES, US AND NICARAGUA HAVE AGREED TERMINATE EXISTING BILATERAL, AND WE EXPECT CONCLUDE UNDERSTANDING WITH PERU TO SAME END. THESE ACTIONS WILL BECOME EFFECTIVE UPON THE EXCHANGE OF FORMAL NOTES.

2. SUCH AN UNDERSTANDING WOULD NOT BE APPROPRIATE IN THE CASE WITH EL SALVADOR, AS ITS TEXTILE TRADE WITH US FAR HIGHER THAN EITHER PERU'S OR NICARAGUA'S. PERU'S MAN-MADE AND COTTON TRADE FOR YEAR ENDING JUNE 1974 WAS APPROXIMATELY 3.25 MSYE AND NICARAGUA'S APPROXIMATELY 1.44 MSYE. EL SALVADOR'S TRADE FOR SAME PERIOD IS 16.15 MSYE, AND LAST YEAR GREW AT RATE OF 233 PERCENT IN MAN-MADE FIBER TEXTILES ALONE. THUS US NOT RPT NOT PREPARED TERMINATE EXISTING BILATERAL WITH EL SALVADOR ALTHOUGH WE ARE WILLING NEGOTIATE NEW, ALL-FIBER BILATERAL WHICH WOULD BE SIGNIFICANTLY MORE LIBERAL AND FLEXIBLE THAN EXISTING COTTON BILATERAL.

3. SUBSTANCE OF PARA 2 ABOVE WAS POINTED OUT BY JURICH TO SALVADORIAN DELEGATION AT MANAGUA, AND SALVADORIANS AT THAT TIME INDICATED A WILLINGNESS TO ENTER INTO BILATERAL TALKS THIS FALL. SUBSEQUENTLY, DEPARTMENT RECEIVED NOTE FROM MINISTRY OF FOREIGN AFFAIRS ASKING FOR NEGOTIATIONS TO BEGIN BY OCTOBER 1. DEPARTMENT INFORMALLY DISCUSSED NOTE WITH EL SALVADOR EMBASSY WASHINGTON ADVISING THEM THAT NEGOTIATING SCHEDULE US TEXTILE DELEGATION SUCH THAT IT WAS UNLIKELY WE WOULD BE ABLE TO MEET OCTOBER 1 SUGGESTED DATE. WE TOLD GOES EMBASSY THAT, AS JURICH STATED IN MANAGUA, WE WERE UNDERTAKING REVIEW OF LA BILATERALS WHICH WOULD PROBABLY NOT BE FINISHED UNTIL MID OR LATE OCTOBER. FYI SUCH REVIEW IS NOW RPT NO; FINISHED. END FYI. WE ARE NOW REVIEWING NEGOTIATING SCHEDULE FOR FIRST QUARTER 1975 AND WILL NOTIFY BOTH EMBASSY AND EL SALVADOR EMBASSY WASHINGTON (HOPEFULLY BY END OF MONTH) WHEN DATE CAN BE FIXED FOR THESE NEGOTIATIONS.

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4. WE ARE TRYING WHEREVER POSSIBLE TO LIBERALIZE TEXTILE TRADE RELATIONS WITH ARA NATIONS IN CONFORMITY WITH MFA AND ADMINISTRATION'S POLICY OF NEW DIALOGUE, AND WE BELIEVE EL SALVADOR ITSELF WOULD APPRECIATE THERE IS SIGNIFICANT DIFFERENCE IN THREAT OF MARKET DISRUPTION BETWEEN SALVADOR TEXTILE TRADE ON THE ONE HAND AND PERU'S AND NICARAGUA'S ON THE OTHER. ALSO, NEITHER PERU NOR

NICARAGUA PRESENT ANY MAJOR 807 THREAT WHICH EL SALVADOR  
DECIDEDLY DOES, (807 TRADE GREW FROM 7 OF ES TEXTILE  
EXPORTS TO US IN 1971 TO 46 IN 1973) AND-AS JURICH TOLD  
GOS DELEGATION IN MANAGUA, THIS 807 PROBLEM MUST BE DEALT  
WITH WITHIN A REASONABLE TIME FRAME SUCH AS EARLY IN 1975.  
WE BELIEVE THAT WHEN THE TWO SIDES DO MEET A MUTUALLY  
SATISFACTORY ALL-FIBER BILATERAL CAN BE CONCLUDED WHICH  
WILL TAKE INTO ACCOUNT THE TEXTILE PROBLEMS BOTH COUNTRIES  
FACE WHILE FULLY MEETING THE OBJECTIVES OF BOTH THE MFA  
AND THE ADMINISTRATION'S POLICY OF NEDIALOGUE. KISSINGER

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